

FIRESIDE PARK APARTMENTS



PRESENTED BY: ROCKVILLE HOUSING ENTERPRISES

SEPTEMBER 24, 2012

BACKGROUND

- In July 2012, a contract between a private for-profit buyer and seller was executed.
- There is a concern that the out of state buyer can possibly raise rents to phase out affordable units.
- Therefore, the Montgomery County Department of Housing and Community Affairs evoked its Right of First Refusal at the request of Rockville Housing Enterprises to preserve 40% of the units to be affordable to households at or below 60% area median income (“AMI”).
- Currently 60% AMI for a family of four in Montgomery County is \$64,500.

Rockville Housing Enterprises (“RHE”)

- RHE was established in 1957. RHE is an independent agency that functions under Federal and State law, but was created by the City of Rockville Mayor and Council for the purpose of acquiring, building and administering affordable and mixed income housing.
- The RHE 5 member Board of Commissioners is appointed by the Mayor with confirmation of the Council for three year terms.
- RHE is experienced with strong leadership from its Executive Director and Board of Commissioners.

Rockville Housing Enterprises (“RHE”)

- **RHE current portfolio**
 - **105 Public Housing Units**
 - **58 MPDUs**
 - **Administers 414 Housing Choice Vouchers**

Rockville Housing Enterprises (“RHE”)



Legacy at Lincoln Park



**Public Housing
Scattered Sites**



MPDUs

Fireside Park Apartments (Information)

- **Number of Units – 236 Units**
 - **96 1-Bedroom Units**
 - **128 2-Bedroom Units**
 - **12 3-Bedroom Units**
- **Current Tenant Rents**
 - **1-Bedroom Units (\$969 - \$1,328)**
 - **2-Bedroom Units (\$1,091 - \$1,410)**
 - **3-Bedroom Units (\$1,298 - \$1,730)**
- **Community Features**
 - **Swimming Pool**
 - **Playground**
 - **BBQ and Picnic Area**
 - **Walking Distance to Rockville Metro Station/Dogwood Park**
 - **Door to Door Trash Pick-up**

Sources and Uses

Sources	Total Amount	Per Unit
Mortgage (Citibank)	\$32,400,000	\$137,289
Gap	\$5,350,000	\$22,669
TOTAL	\$37,750,000	\$159,958

Uses	Total Amount	Per Unit
Purchase Price	\$36,000,000	\$152,542
Rehabilitation Costs	\$764,975	\$3,241
Settlement Costs	\$122,500	\$519
Financing Costs	\$648,000	\$2,747
Reserves	\$214,525	\$909
TOTAL	\$37,750,000	\$159,958

Gap Financing

Sources for Gap Financing	Total Amount	Per Unit
RHE	\$500,000	\$2,119
City of Rockville	\$2,000,000	\$8,475
Montgomery County	\$2,850,000	\$12,075
TOTAL	\$5,350,000	\$22,669

- **Proposed City of Rockville Gap Financing**
 - **\$500,000 Housing Opportunities Fund**
 - ❖ **\$200,000 Grant (40% of Funding)**
 - ❖ **\$300,000 Loan (60% of Funding)**
 - **\$1,500,000 – Loan**

Gap Financing Terms

- **Amortization:** Interest Only with balloon payment of outstanding principal at maturity.
- **Maturity:** 7 Years
- **Interest Rate:** 3%
- **Annual Prepayment:** At each fiscal year end, RHE will make payments equal to 15% of net cash flow to offset against outstanding principal amount.

****Repayment of Loan will mirror County's terms***

**** Total 7 YR Interest Payment to City of Rockville - \$420,000***

**** Total 7 YR Principal Payment to City of Rockville - \$390,612***

Rehabilitation Costs

Immediate Physical Needs	Total Amount	Per Unit/Bldg.
Replace Roofs	\$170,775	\$7,425 (Bldg.)
Plumbing (re-line copper Pipes)	\$542,800	\$2,300 (Unit)
Pruning (trees)	\$12,000	n/a
Asphalt Repair	\$39,400	n/a
TOTAL	\$764,975	

- **Other Items to address over the next 7 years**
 - **HVAC replacement**
 - **Corrective measures to prevent water penetration to utility rooms in the basement**
 - **Move downspout drainage away from the building**
 - **Waterproof selected sections of the exterior walls**
 - **Replace mature trees and plantings**
 - **Asphalt repair, paving & striping**

**Funded from replacement reserves and cash flow*

Proposed Affordability

- **Number of Units: 94 (40% of total units)**
 - **63 1-bedrooms**
 - **28 2-bedrooms**
 - **3 3-bedrooms**

** Allocation of units reflect current rent structure at Fireside Park Apts.*
- **Maximum Rent Limits**
 - **1-bedrooms: \$1,065**
 - **2-bedrooms: \$1,271**
 - **3-bedrooms: \$1,387**

**Affordable rent limit within current rent ranges.*
- **Affordability Term: 30 years**
- **Projected Rent Increases – 2% Annual Increases**

Market Rate Units

- **Number of Units: 142 (60% of total units)**
 - **33 1-bedrooms**
 - **100 2-bedrooms**
 - **9 3-bedrooms**
- **Market Rents**
 - **1-bedrooms: \$1,080**
 - **2-bedrooms: \$1,380**
 - **3-bedrooms: \$1,730**
- **Projected Rent Increases – 2% Annual Increases**
- **27 units currently upgraded with premium appliances, finishes, and hard installed washer/dryer**
 - **These units charge a premium of \$100 to \$250 per month per unit**

Refinance Strategy

- **Refinance using non-competitive Low Income Housing Tax Credit Equity (“LIHTC”) and Tax-Exempt Bonds**
 - **LIHTC Equity - approximately \$4.2 million**
 - **New Mortgage - approximately \$32.5 million**
 - **Total Sources - \$36.7 million**
- **Outstanding loan amounts at the end of initial 7 year term**
 - **Citibank Loan - \$27,733,945**
 - **City of Rockville - \$1,423,840**
 - **Montgomery County - \$2,473,840**
 - **Total - \$31,631,625**
- **Excess proceeds will be used for closing costs, rehabilitation, and other miscellaneous costs related to bond financing and tax credit equity allocation.**

Payment in Lieu of Taxes (“PILOT”) Request

- **As a housing authority, Rockville Housing Enterprises is exempt from State, County, and municipal taxes, including property taxes.**
- **In lieu of taxes, the Amended and Restated Cooperation Agreement between the City and RHE calls for RHE to pay a PILOT (Payment-In-Lieu-Of-Taxes) which, for certain projects, is established by a formula in the agreement.**
- **The agreement between the City and RHE allows RHE to annually request forgiveness of the PILOT payment.**
- **RHE is requesting that the Mayor and Council forgive RHE from paying 100% of the PILOT for Fireside Park.**
- **This exemption, if granted by the Mayor and Council, will result in a reduction of up to \$60,641 (Levy Year 2012) for FY 2013.**